

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

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TAGS: ETRD ENRG VE

SUBJ: INITIAL GOV REACTION TO USG GRAIN AND OIL TRADE AGREEMENTS
WITH USSR

REF: STATE 249528

1. "EL NACIONAL" PUBLISHED ON ITS FRONT PAGE ON OCTOBER 22
WHAT IT CALLED THE OFFICIAL GOV REACTION TO THE SUBJECT TRADE
AGREEMENTS. MINES MINISTER VALENTIN HERNANDEZ, SPEAKING
"INFORMALLY" TO THE NEWSPAPER'S ECONOMIC EDITOR, SAID THAT
THE 200,000 B/D WILL NOT AFFECT EITHER THE VOLUME OR PRICE OF
VENEZUELAN OIL SHIPPED TO THE U.S. HE SAID THAT THERE HAS
BEEN NO CHANGE IN THE VOLUME OF CRUDE AND PRODUCTS WHICH
PETROVEN IS NEGOTIATING TO SELL TO THE OIL COMPANIES AFTER
NATIONALIZATION. THE ONLY DIFFICULTY HAS BEEN WITH THE
PRICE OF LOW SULFUR RESIDUAL FUEL OIL, AND THIS IS BEING
"ADJUSTED", HE ADDED.

2. MINES MINISTRY SOURCES CONTACTED BY THE NEWSPAPER ON
OCTOBER 21 PROFESSED NOT TO BE SURPRISED BY THE TRADE
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AGREEMENTS. THEY INDICATED THAT THE VOLUME OF OIL REPRE-

SENTS LESS THAN FIVE PERCENT OF U.S. OIL IMPORTS. REGARDING PRICES, THEY DO NOT FEEL THAT THE USSR WILL "FIND IT CONVENIENT" TO SELL BELOW THE ESTABLISHED OPEC LEVEL. ACCORDING TO THE NEWSPAPER SOURCES, MOSCOW HAS ANNOUNCED THAT IT WILL RESPECT OPEC PRICES, AND OPEC MEMBER COUNTRIES "HAVE BEEN GIVEN OFFICIAL ASSURANCE" BY SOVIET PETROLEUM AUTHORITIES THAT RUSSIAN CRUDE WILL NOT AFFECT OPEC DECISIONS, NOR BE A FACTOR IN DISLOCATING THE WORLD, OR NORTH AMERICAN, PETROLEUM MARKET.

3. COMMENT: INITIAL GOV PUBLIC REACTION HAS BEEN CONFINED TO HERNANDEZ STATEMENT. THE GOV MAY WITHHOLD ANY FURTHER COMMENT UNTIL LEARNING MORE DETAILS. THEY WILL WANT TO KNOW IF THE RUSSIAN OIL WILL BE BROUGHT IN VIA THE U.S. WEST OR EAST COAST, AND WHAT KIND OF OIL IS INVOLVED, IN ORDER TO GAUGE WHETHER IT WILL DISPLACE VENEZUELAN OIL IN THE MARKET. END COMMENT. SHALUDEMAN

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